

WATER SYSTEM EXTENSION AGREEMENT

THIS AGREEMENT is entered into this 3 day of May, 2010, between SOUTH BAINBRIDGE WATER SYSTEMS, INC., a Washington corporation, hereinafter referred to as the "Owner," and REHDER ENTERPRISES, INC., a Washington corporation, hereinafter referred to as "Customer."

RECITALS

1. Owner is willing to accommodate Customer's request to extend Owner's existing water main if such extension is constructed to Owner's standards and specifications and if the terms of this Agreement are met.

NOW, THEREFORE, in consideration of the mutual promises and benefits to be derived, it is agreed as follows:

AGREEMENT

1. Customer shall perform the following to Owner's standards and specifications as approved by the Washington State Department of Health ("DOH"): a six inch (6") ductile iron water main extending approximately one hundred seventy feet (170') to the end of Devenny Avenue. The extension shall include a fire hydrant and all other associated appurtenances. All work shall be at Customer's sole cost and expense, according to specifications and at the location more specifically described on the attached Exhibit A, which exhibit is incorporated by this reference. For convenience, the work to be done under this Agreement is referred to in this Agreement as the "Main Extension." The Main Extension shall serve the following parcels: 4150-003-013-0108, 4150-003-014-0107, 4147-006-004-0207, 4147-006-005-0107 and 4147-006-006-0106, which are referred to in this Agreement as the "Property."
2. The Main Extension, in addition to the Property, will benefit the following parcels: parcels with Tax Parcel ID Nos. 4150-003-021-0009, 4150-003-020-0000, 4150-003-019-0003, 4150-003-017-0104 and 4147-006-007-0105 ("Additional Property"). If at any time for a period of eight (8) years from the date of this Agreement, the owner of any parcel of the Additional Property applies for service from Owner, the owner of the Additional Property will be assessed a latecomer's fee equal to one-tenth (1/10) of the final cost of the Main Extension, plus interest from the date the Customer has paid for the Main Extension at the rate of eight percent (8%) simple interest calculated to the date of payment of the latecomer's fee.

Owner may deduct an administrative fee of one hundred dollars (\$100.00) from the amounts collected for each latecomer's fee. The balance of each latecomer's fee shall be paid to Customer or the Customer's successor-in-interest in the Property. The benefit of the latecomer's charge runs to the current owner of a Property and is not personal to the Customer. The cost of construction of the Main Extension shall be provided to Owner through copies of actual invoices paid by the Customer for the System Extension.

Nothing in this Agreement shall be construed to impose any liability on Owner if a latecomer's fee is not collected. It is the Customer's (and Customer's successors-in-interest) obligation to notify Owner if it appears that one or more parcels of the Additional Property appears to be readying for connection to the Main Extension.

3. Customer shall provide a construction performance and maintenance bond which Owner holds harmless from the negligence of Customer, its agents, liens, third party liability, and defective materials or equipment. A copy of said bond is attached hereto as Exhibit B and by this reference incorporated herein.
4. Customer or Customer's contractor shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work by the Customer, its agents, representatives, employees or contractors.

The insurance required shall include the specific coverages and be written for not less than the limits of liability and coverages listed below or required by law, whichever is greater.

Worker's Compensation, etc. should have the following minimum limits:

- | | | |
|----|--|-------------|
| A. | State | Statutory |
| B. | Applicable Federal (e.g. longshoremen's) | Statutory |
| C. | Employer's Liability | \$1,000,000 |

Comprehensive General Liability shall have the following minimum limits:

- | | | |
|----|--|-----------------|
| A. | Bodily Injury (including completed operations and products liability): | |
| | \$1,000,000 | Each Person |
| | \$1,000,000 | Each Accident |
| B. | Property Damage: | |
| | \$1,000,000 | Each Occurrence |
| | or a combined single limit of \$1,000,000 | |

Property damage liability insurance will provide Explosion, collapse and Underground coverages where applicable.

Personal injury, with employment exclusion deleted
\$1,000,000 Annual Aggregate

All of the policies of insurance are required to be purchased and maintained (or the certificates or other evidence thereof) shall contain a provision or endorsement that the coverage for it will not be cancelled, materially changed or renewal refused until at least

45 days prior to written notice has been given to the Owner by certified mail. All such insurance shall remain in effect until final payment and at all times thereafter when Customer may be correcting, removing or replacing defective work. In addition, Customer shall maintain completed operations insurance for at least one year after the final payment and furnish Owner with the evidence of continuation of such insurance. The original policy or a signed certificate of insurance shall be filed with the Owner.

5. Prior to the commencement of work, the Customer shall furnish Owner with acceptable proof of insurance in a form acceptable to the Owner.

All insurance certificates must name the project title and address.

All insurance certificates shall specifically require 45 days prior notice to the Owner of cancellation or any material change.

Owner shall be named as an additional insured on all certificates of insurance.

6. All work by Customer shall be subject to passing inspection by Owner's engineer for compliance with Owner's standards and specifications and DOH rules. Customer shall pay the cost of inspection within 10 days from the date of inspection at Owners engineer's normal rates for such work.
7. Customer shall furnish all necessary conveyances in form to be approved by the Owner, including duly executed easements for access to the area around said Main Extension for purposes of maintaining and repairing if necessary, the Main Extension, a copy of which easements are attached hereto as Exhibit C.
8. From the Date of Acceptance of the Main Extension, the Owner shall, subject to the approval by the Washington Utilities and Transportation Commission ("WUTC"), maintain and operate the Main Extension. Owner has no duty to accept the Main Extension, or any portion thereof if the Main Extension does not pass inspection by Owner's engineer or does not conform strictly to the Owner's Conditions and Standards.

As used in this Agreement the Date of Acceptance is the date that the last of the following events occur:

- A. Payment by Customer of all sums owned by Customer under this Agreement;
 - B. Delivery of all documents required hereunder; or
 - C. Main Extension passes inspection by Owner's Engineer.
9. Customer shall convey the Main Extension by a Bill of Sale in the form attached as Exhibit D, and incorporated herein by this reference.

10. **Nothing in this Agreement entitles Customer or Customer's successors or assigns to connect to Owner's water system, including Main Extension, except in accordance with the terms, conditions and charges and under tariff filed with the Washington Utilities and Transportation Commission ("WUTC"), which terms and conditions include, but are not limited to, the ability to limit use of water for irrigation under conditions of high demand.**
11. **Owner does not warrant delivery of any specific quantity of water, and Owner's standards and conditions are designed to produce only the minimum DOH standards in effect at the time of this Agreement. Such standards may not be sufficient for large lots or agricultural use.**
12. **Customer shall pay the costs of Owner's attorney to develop this Agreement and seek approval of the WUTC, not to exceed Five Hundred Dollars (\$500.00), which payment is due upon execution of this Agreement by Customer.**
13. **The Customer shall hold Owner and its officers, agents, and employees, harmless from all suits, claims or liabilities of any nature, including attorneys' fees, costs, and expenses for or on account of injuries or damages sustained by any persons or property resulting from negligent activities or omissions of the Customer, its agents, employees, or on account of any unpaid wages or other remuneration for services; and if judgment be rendered or settlement made requiring payment of damages by Owner, which damages are based in whole or in part on the negligent activities or omissions of the Customer, its agent or employees, the Customer shall pay the same.**
14. **This Agreement is subject to prior approval of the WUTC and shall not take effect until thirty-one (31) days after filing with the WUTC, or if suspended by the WUTC, at such date as this Agreement is approved by the WUTC. WUTC approval is not warranted or guaranteed by Owner.**
15. **The Main Extension may be subject to approval by the Department of Health, and Bainbridge Fire Department and City of Bainbridge Island. If approval is required, Owner's performance hereunder is conditioned upon such approval. Owner does not warrant or guarantee such approval.**
16. **Customer warrants that all work done by Customer on the Main Extension shall conform to Owners Standards and Conditions and, in addition, shall have been performed in a workman-like manner and meet standards generally accepted in the industry.**
17. **To the extent allowed by law, the Customer shall hold Owner and its officers, agents, and employees, harmless from all suits, claims or liabilities of any nature, including attorney's fees, costs, and expenses for or on account of injuries or damages sustained by any persons or property resulting from negligent or willful activities or omissions of the Customer, its agents, employees, or on account of any unpaid wages or other remuneration for services or for failure to comply with Chapter 19.122 RCW ("dig-up laws") or any violation of county franchise requirements; and if judgment be rendered or settlement made requiring payment of damages by Owner, which damages are based in**

whole or in part on the negligent or willful activities or omissions of the Customer, its agents or employees, or on account of any unpaid wages or other remuneration for services or for a violation of Chapter 19.122 RCW or county franchise requirements, the Customer shall pay the same.

18. The project involves five lots. Three of the lots will be very difficult to access from Parkview Drive NE because of the steep slope of the lots. In order to provide service to these three lots, Customer agrees that the lots may be served through meters located in or proximately to the area where the utility easement created by Customer meets Devenny Avenue NE, which the fourth and fifth lots front on. The utility easement is located along the common boundary of these two lots. Service lines will need to be constructed through the two lots to reach the three other lots. The responsibility to construct those service lines shall fall solely with Customer or Customer's successors or assigns. Customer further understands and agrees that in order for meters to be located where the utility easement meets Devenny Avenue NE, a waiver of WAC 480-110-445 will need to be obtained by Owner from the WUTC. Owner does not warrant that such waiver shall be granted. Owner does agree to apply for the waiver. If the waiver is not granted, Owner shall have no obligation to service the three referenced lots.

19. Miscellaneous.

- A. **Jurisdiction.** This Agreement is made with reference to and is intended to be construed in accordance with the laws of the State of Washington. The parties agree that the venue for any suit brought hereunder shall be laid exclusively in Kitsap County, Washington.
- B. **Successors in Interest.** This Agreement shall be binding upon and inure to the benefits of the successors, heirs, assigns and personal representatives of the parties.
- C. **Execution of Counterpart.** This Agreement will be executed separately or independently in any number of counterparts, each and all of which shall be deemed to have executed simultaneously and for all purposes be one Agreement.
- D. **Construction.** This Agreement shall not be construed more favorably to one party over another notwithstanding the fact that one party or its attorney, may have been more responsible for the preparation of the document.
- E. **Attorneys' Fees.** In the event that any party hereto retains an attorney to enforce any of the provisions hereof, then the substantially prevailing party shall be entitled to reasonable attorney's fees incurred in both trial and appellate courts, or fees incurred without suit and all court and accounting costs.
- F. **Time.** Time is expressly declared to be of the essence in this Agreement.

- G. Survival. All of the obligations (except to be to the extent performed), warranties and representations in this Agreement shall survive the closing.
- H. Amendment. No modification, amendment, addition to or termination of this Agreement nor waiver of any of its provisions shall be valid or enforceable unless in writing and signed by all of the parties, and further, no modification or amendments of specifications or approval of "approved equal" material shall be valid or enforceable unless approved in writing by Owner's engineer.
- I. Waiver. No failure on the part of either party to exercise, and no delay in exercising, any rights hereunder shall operate as a waiver thereof; nor shall any waiver or acceptance of a partial, single or delayed performance of any term or condition of this Agreement operate as a continuing waiver or a waiver of any subsequent breach thereof.
- J. Entire Agreement. This Agreement constitutes the entire Agreement among the parties, integrates the understanding of the parties, and supersedes and replaces any prior statements and representations, written or oral. Any prior written statements, written or oral, not contained herein are void and in no force or effect. This Agreement supersedes and cancels all prior obligations and negotiations, correspondence and communications between the parties with respect to the terms and conditions of this Agreement.
- K. Notices. Any notice provided for in this Agreement shall be deemed effective as if it is in writing and is personally delivered or sent by certified mail, postage prepaid, return receipt requested, and delivered or addressed as set forth below or to other such address as the parties may hereafter designate by notice given in the same manner:

To Owner:
 South Bainbridge Water Systems, Inc.
 4573 Point White Drive
 Bainbridge Island, WA 98110

To Customer:
 Rehder Enterprises, Inc.
PO Bx 10880
Bainbridge Is, WA 98110

- L. Survival of Warranties and Representations. All warranties and representations made by any party hereto shall survive the conveyance and transfer of the Main Extension to Owner.

20. Condition of Obtaining Waiver. This Agreement is subject to the WUTC granting a waiver so that all five (5) meters for the Main Extension can be located on Devenny Avenue with service lines from the meters to the three (3) parcels bearing Parcel Numbers 4147-006-004-

0207, 4147-006-005-0107, and 4147-006-006-0106 ("Distant Parcels") shall be served on a ten foot (10') easement to be provided by Customer for the Distant Parcels in a form acceptable to Owner. The owners of the Distant Parcels will be required to maintain each of their service lines in the ten foot (10') easement and Customer shall so notify those purchasers of each of the Distant Parcels of this maintenance requirement. Water availability letters shall not be provided under this Agreement for the three (3) Distant Parcels until such time as the water service line easement and water line maintenance agreement referred to in this Section 19 have been duly recorded for each of the three (3) Distant Parcels.

Entered into the date first set forth above.

OWNER:

CUSTOMER:

SOUTH BAINBRIDGE WATER
SYSTEMS, INC.

REHDER ENTERPRISES, INC.

By: 

By: 

Its: Boe.

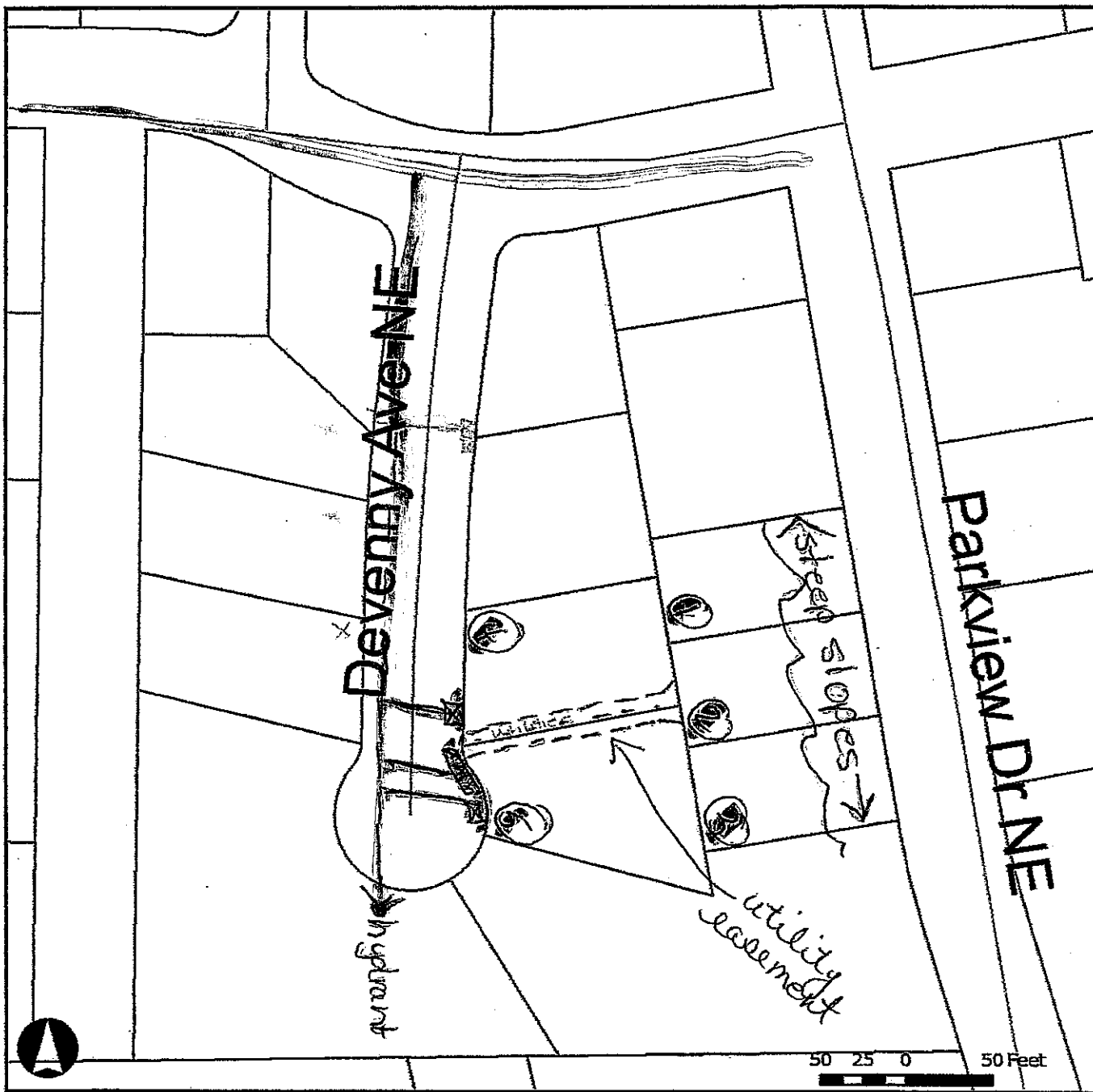
Pamela L. Rehder
Its: President

Rehder Enterprises

Map

WEST

EAST



existing main
new main extension
lots to be served

Streams

Streets

BI_Background-Shoreline

Wetlands

Highway

BI_Background-Land

Shoreline

Parcels

BI_Background-Water

GIS Data Disclaimer

This data should be used for informational purposes only. This map does not represent a survey. Every effort has been made to ensure the accuracy of these data; however, the data may be dated, which would have an impact on its accuracy. The maps are provided without warranty or guarantee of any kind, expressed or implied, including, but not limited to, the implied warranties of merchantability and fitness for a particular purpose. The parcel lines, and right of ways shown on these maps are for illustration